



June 4, 2007

Department of the Interior  
Minerals Management Service (MS 4024)  
Attn: Rules Processing Team (Comments)  
381 Elden Street  
Herndon, VA 20170-4817

Re: RIN 1010-AD 12; Subpart K-Flaring and Venting  
FR Vol. 72, No. 43 3-6-07

Ladies and Gentlemen:

The Offshore Operators Committee (OOC) working in conjunction with API appreciates this opportunity to provide written comments on the subject proposed rule to amend regulations regarding production rates, burning oil, and venting and flaring natural gas associated with Outer Continental Shelf oil and gas and other mineral operations as published in the March 6, 2007 Federal Register. OOC is an organization of some 119 producing and service companies who conduct essentially all of the OCS oil and gas exploration and production activities in the Gulf of Mexico. Comments made on behalf of OOC are submitted without prejudice to any member's right to have or express different or opposing views.

### **General Comments**

OOC realizes that MMS conducted a complete rewrite of Subpart K using plain language and restructured the rule to improve readability and is encouraged that MMS has chosen to divide the new version into shorter sections thereby making this rule much easier to read. The new version also eliminates some requirements that are no longer deemed necessary. OOC can fully support the logic and proposal to eliminate the maximum rate requirements and production balancing requirements. This can be done without adversely affecting ultimate recovery or conservation of resources. By incorporating into the proposed rule the numerous Notices to Lessees and Operators (NTLs) that clarify the current regulation, MMS will reduce the burden on industry to keep track of rules from various sources and help simplify compliance. MMS' addition of a table at the end of the proposed rule listing the information that operators would have to submit for approval for

various operations greatly assists in the improved readability and understanding of the rule and will simplify industry compliance efforts.

OOC is fully supportive of MMS's proposal to allow operators to streamline submittal of well tests. Currently, operators are required to submit Semiannual Well Test Reports within 45 days of the tests. Under the proposed rule, operators may submit the reports within 45 days after the end of the calendar half-year. This will allow operators to submit all their well tests at one time providing improved efficiency for the operators and MMS.

### **Vent vs. Flare**

The short comment period allocated for industry's response to formal rule making on Sub Part K did not allow industry to develop detailed comments on the aspect of "venting versus flaring" as requested in the rule making. The choice of the two methods are normally driven by operating philosophy, nature and type of reservoir, facility design limitations or capabilities, operating practices, safety and economics. The decision might also be affected by "new build", upgrade, or existing facility status to a great extent. With the very diverse types of developments existing and being employed in both Gulf of Mexico shelf and deepwater operating areas, different drivers may change the operator's choice from one system to another. Philosophically the goal of both the operator and the government should be to seek economically viable alternatives to reduce emissions as much as possible. Should the MMS feel that a particular technology mandate be required for facilities on the OCS, it should be limited to new facilities yet to be constructed. Prior to doing so, however, OOC supports and encourages that MMS sponsor a workshop to discuss the issue, ways to achieve this desired state and foster dialogue on drivers and factors effecting the selection of one methodology over the other. It is our recommendation that the workshop serve as the catalysis for development of a specific recommendation in advance of any proposed rulemaking. It would also allow for industry to convey the challenges associated with the retrofit of existing facilities and issues to be considered in successful implementation on newly constructed facilities. OOC would be willing to jointly sponsor such a workshop in an effort to promote broad vetting of issues and seek timely resolution of challenges to facilitate closure and buy-in required for successful implementation on the OCS.

### **Measurement Concerns**

The proposed requirement for the installation of meters for the measurement of vented and flared volumes characterizes the solution as the addition of a single meter to the existing process train in order to accomplish the goal of better measurement of vented and / or flared gas. To the contrary, multiple meters would be required on most facilities. The installation of these meters to the emergency vent and flare system raises concern over potential safety hazards that retro-fitting of piping and installation of hardware could bring to those existing facilities. Additionally, the accuracy of measurement envisioned by the rule is not achievable in this particular process application, given the wide range of



conditions to which the meter would be exposed. OOC therefore requests and recommends that this portion of the rule be stayed, until further dialogue can be had between industry and the Agency as industry will not be able to comply with the rulemaking as proposed.

In an effort to facilitate closure of this issue, OOC would like to propose that the upcoming workshop for the vetting of a flare vs. vent technology preference mentioned in the supplementary information section under the GAO report include the topic of measuring vented and flared gas offshore. Alternatively, a future workshop could be planned to exclusively discuss the barriers, solutions and best practices needed to account for vented and flared gas volumes on offshore facilities, that might incorporate methods other than actual measurement. Additionally, since the GAO report recommends the Federal Government help reduce flaring and venting by continuing to support programs that identify and help implement industry Best Practices for reducing natural gas emissions, OOC would like to encourage MMS to consider that the API Committee on Production Measurement and Allocation is currently drafting an API recommended practice titled "Manual of Petroleum Measurements Standards." It is anticipated that the RP will be balloted in the next few months. OOC believes it premature to impose requirements to meter vented and flared gas prior to the publication of this recommended practice. OOC does not agree that a "metering only" solution is a best practice or cost effective solution to the reduction of natural gas emissions from offshore production facilities. OOC strongly recommends that the proposed requirement to install meters on all offshore complexes producing 2000 BOPD be deferred in order for industry and MMS to work in partnership to achieve a recommended best practice which may involve meters and some level of calculations acceptable to both MMS and industry. More specific comments relative to the meter installation requirements can be found in the Proposed Development of an API Recommended Practice covered in this letter.

If such recommendation to defer this part of the rulemaking is not acceptable to the MMS, it is recommended that the installation of meters be limited instead to new facilities under construction six months after the date that the final rule is published. However even under this scenario, please note that an adjustment in the accuracy requirement is still required to the proposed rule, as absent such adjustment, industry would still not be in a position to comply. Industry is willing to commit to work with the MMS on the development of a best practice or standard for accounting for gas vented or flared on the OCS. We believe that such an approach, which would have broad applicability to all facilities on the OCS, not just those processing 2000 BOPD and greater; would promote consistent methods and practices across industry; and would likely result in quicker adoption by industry. Further we believe that this approach would result in volumes of vented / flared gas on all facilities on the OCS being reported to a higher degree of accuracy than that achieved by the blanket requirement to measure all streams, would be accomplished in a more cost effective manner and is in keeping with the recommendations of the GAO Report.

The proposed regulatory trigger to install meters will encompass more facilities than those producing 2,000 BOPD, given how production is handled on the OCS. Multiple



facilities may be involved in the processing/handling of production streams. It is therefore believed that the number of facilities to be impacted by the rule has been underestimated. Given the cost per facility to comply as well as the number of facilities to be impacted has been underestimated it is believed that the cost impact of the rule has been grossly underestimated.

### **Fee Structure**

It is understood from discussions with MMS personnel that the fee structure outlined in 250.125 is being referenced to fit existing fees already in place and not to propose new fees. It is our understanding that this is a procedural step for correct referencing. OOC would like to comment that the cost recovery fees that have been placed into service have been in effect sufficiently for an evaluation of the cost recovery impact. Our experience is that the fees created additional work for MMS employees and lengthened cycle time as it relates to conducting business. The current fees while not deemed excessive, none the less are creating extra work for both parties and in lieu of an enhancing effect, it may have created additional hurdles and potential bottlenecks. OOC member companies have also experienced what is perceived as misapplication of the number of fees as it relates to tasks. An example is that pipeline permits and work is done on a segment basis and not a system basis and hence if a system has 5 segments, fees are being charged on each segment which seems excessive to operators. It is our understanding that the object of the program was to recover costs of doing business and providing a service to the lease holders. OOC would be interested to know how much of the MMS budget is being supported by the program at this time, and if a review and evaluation of current fee structure is being carried out to adjust for actual agency needs.

### **Proposed Development of API Technical Bulletin: Quantifying Flare and Vent Quantities in Oil and Gas Production**

OOC working in conjunction with API, will commit to the development of a technical document or recommended practice that would address quantification, including volume, mass, and composition, of flare and vent quantities within the oil and gas production process. The approach taken would look at the entire process system, considering use of direct instrumentation (including meters) along with a variety of other tools. These tools could include material balance monitoring, IR monitors, as well as others. Collectively, these tools would be used within calculation systems resulting in a technically defensible determination of quantities with a fairly high level of confidence. The proposed document would reinforce the use of a suite of tools, not just metering, fill a void that currently exists in and make the job of enforcement more manageable for MMS. We would propose to start working on this guidance now, concurrent with the Subpart K final rulemaking and believe that document completion and workshops to roll-out to industry could occur within 18 months. OOC proposes that MMS join in this effort, to insure that issues of concern are addressed and that the solution delivered meets the expectations of the Agency. This effort would be undertaken similar to the guidance developed to

address sustained casing pressure, API RP 90, and that developed for drilling operations conducted during hurricane season, API RP 95 J and API RP 95 F. We would be willing to meet with the Agency at your earliest convenience to discuss this proposal and establish a working plan to move this initiative forward.

OOC's response has been grouped into this cover letter with general information and attachments with specific comments on the elements of the rule making. If the MMS desires a meeting to review the comments or suggestions, a cross functional industry team can be provided to meet with MMS representatives.

If you have any questions, please contact me at 504-934-2159.

Very truly yours,

Allen J. Verret  
Executive Director, Offshore Operators Committee